KENCANA AGRI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200717793E)
(the "**Company**")

PROPOSED DISPOSAL OF THE PROPERTY LOCATED AT 36 ARMENIAN STREET #03-03 SINGAPORE 179934

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1. INTRODUCTION

The Board of Directors (the "Board") of Kencana Agri Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that a wholly-owned subsidiary, Sawindo Agri Pte. Ltd. (the "Subsidiary"), had on 5 April 2021 granted an option to purchase (the "Option") the property located at 36 Armenian Street #03-03 Singapore 179934 (the "Property") at the sale price (the "Consideration") of US$2,330,827.00 (based on approximate exchange rate of US$:1.00 : S$1.33 as at 26 April 2021), exclusive of goods and services tax (the "Proposed Disposal"), to Foo Maw Shen and/or Nominee (the "Purchaser").

The Purchaser has on 26 April 2021 exercised the Option to purchase the Property in accordance with the terms of the Option.

2. BACKGROUND OF THE PROPOSED DISPOSAL

2.1. Rationale of the Disposal

The Property is a non-core asset of the Group that classified as asset held for sale. The Proposed Disposal presents an opportunity for the Group to realise the value of the Property and improve the liquidity of the Group.

In light of the above, the Board believes that the Proposed Disposal is in the best interest of the Group and the Shareholders.

2.2. Information on the Property

The Property has a leasehold estate of 99 years commencing 21 September 1995. The Property has a gross floor area of approximately 1,528.0 sqft and was previously used as a corporate office by the Subsidiary. The Property is under a mortgage. Currently, the Property is vacant, and the Company and its subsidiaries do not conduct any operations at the Property. There is therefore no income generated from the Property and no profits being derived from the Property.

2.3. Information on the Purchaser

As at the date of this announcement, the Purchaser is not an associate of the Company, the Directors of the Company or substantial shareholders of the Company. As of the date of this announcement, the Purchaser do not hold any shares in the share capital of the Company.

2.4. Valuation and Use of Sale Proceeds

Based on the latest audited financial statements of the Group for the financial year ended 31 December 2020 ("FY2020"), the book value of the Property was approximately US$2,322,772. The Proposed Disposal is expected to result in a loss on disposal of approximately US$33,114 based on approximate exchange rate of US$:1.00 : S$1.33 as at 26 April 2021.

The Proposed Disposal will realise net cash proceeds of approximately US$2,289,658 from the Proposed Disposal, after deducting incidental costs and related expenses. The proceeds from the Proposed Disposal shall be used for repayment of the bank loan (including prepayment fee) and general working capital of the Group.

3. PRINCIPAL TERMS OF THE DISPOSAL

3.1. Consideration

The Consideration for the Property of US$2,330,827.00 (based on approximate exchange rate of US$:1.00 : S$1.33 as at 26 April 2021), excluding goods and services tax ("GST"), will be satisfied wholly in cash upon completion of the Proposed Disposal. The Consideration was arrived at after arm's length negotiations between the Subsidiary and the Purchaser on a willing buyer willing seller basis, taking into account, inter alia, the market value of the Property and prevailing market conditions.

3.2. The Option

The Consideration shall be fully satisfied in cash and shall be payable to the Company in the following manner:-

(a) 1% of the Consideration as the Option fee. As at the date of this announcement, the Company has received from the Purchaser in respect of this amount;

(b) 4% of the Consideration on the Purchaser's exercise of the Option, shall be paid into Escrow Account by the Purchaser upon the exercise of the Option and to be released upon completion together with the remaining balances; and

(c) 95% of the Consideration on the Completion Date (as defined below).

3.3. Completion

Completion of the Proposed Disposal is expected to take place on the date falling 12 weeks from the date of the Purchaser's exercise of the Option, or such other date as may be agreed between the Purchaser and the Subsidiary (the "Completion Date")

3.4. Stamp Duty

The Purchaser shall bear any stamp duty payable in connection with the Proposed Disposal.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal set out below, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2020 ("FY2020"), are purely for illustrative purposes only and do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Proposed Disposal. The financial effects as shown below are prepared on the assumption that the expenses in connection with the Proposed Disposal have been disregarded.

4.1. Net Tangible Assets ("NTA")

The effect of the Proposed Disposal on the consolidated NTA per share of the Group for FY2020, assuming that the Proposed Disposal had been completed as at 31 December 2020 is as follows:

As at 31 December 2020	Before the Proposed Disposal	After the Proposed Disposal
NTA (US$)	13,691,000	13,657,886

Number of issued shares	287,011,177	287,011,177
NTA per share (US$ cents)	4.77	4.76

4.2. Earnings per Share ("EPS")

The effect of the Proposed Disposal on the consolidated EPS of the Group for FY2020, assuming that the Proposed Disposal had been completed at the beginning of FY2020 is as follows:

FY2020	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to shareholders (US$)	4,021,000	3,987,886
Weighted average number of issued shares	287,011,177	287,011,177
EPS (US$ cents)	1.40	1.39

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING RULES

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Rules") based on the Group's latest announced unaudited consolidated financial statements for FY2020 are as follows:

Bases	%
The net asset value ("NAV") of the assets to be disposed of, compared with the Group's net asset value	16.97%(1)
The net profit attributable to the assets disposed of, compared with the Group's net profit	Not applicable(2)
The aggregate value of the consideration received, compared with the Company's market capitalization	6.35%(3)
The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable(4)
The aggregate volume or amount proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable(5)

Notes:

(1) Based on the Property's NAV of approximately US$2,322,722 and the Group's NAV of approximately US$13,691,000 as at 31 December 2020.

(2) Rule 1006(b) of the Listing Rules is not applicable as the property is vacant and the Group did not derive any income from the Property.

(3) Based on the Consideration of US$2,330,827 and the Company's market capitalisation of approximately US$36,685,639 on 26 April 2021 (being the last market day preceding the date of the this announcement), computed based on the Company's volume weighted average price of S$0.17 per share and the Company's issued and paid-up capital of 287,011,177 shares.

(4) Rule 1006(d) of the Listing Rules is not applicable as this is not an acquisition.

(5) Rule 1006(e) of the Listing Rules is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed above exceed 5% but do not exceed 20%, the Proposed Disposal is considered a "disclosable transaction" under Rule 1010 of the Listing Rules, and therefore does not require shareholders' approval

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

7. DOCUMENT FOR INSPECTION

A copy of the Option and the Valuation Report is available for inspection during normal business hours at the Company's registered office at 36 Armenian Street #03-02, Singapore 179934 for a period of three (3) months from the date of this announcement.

8. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company as the Proposed Disposal is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

Further announcement(s) will be made as appropriate when there are material developments to the Proposed Disposal.

BY ORDER OF THE BOARD

Ratna Maknawi
Executive Vice Chairman

Singapore, 27 April 2021